

Kaminski Meets the Press

Q&A Session Highlights Successes, Difficulties of Implementing Acquisition Reform

Editor's Note: At a post-Press Conference Q&A Session following the joint SECDEF/DAE Pentagon Press Conference on March 14, 1997, Dr. Paul G. Kaminski, Under Secretary of Defense (Acquisition & Technology), fielded questions from the media. This article presents the questions and his responses.

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One of the things the building [Pentagon] has been working on is getting cost away from the economic order quantities of a buy. An example is the Lean Aircraft Initiative that's been going on. But on a grander scale, what are you doing toward getting there, and how effective can it actually ever be? Certainly, a munition you only buy two of can't be as cheap as one you buy 40,000 of.

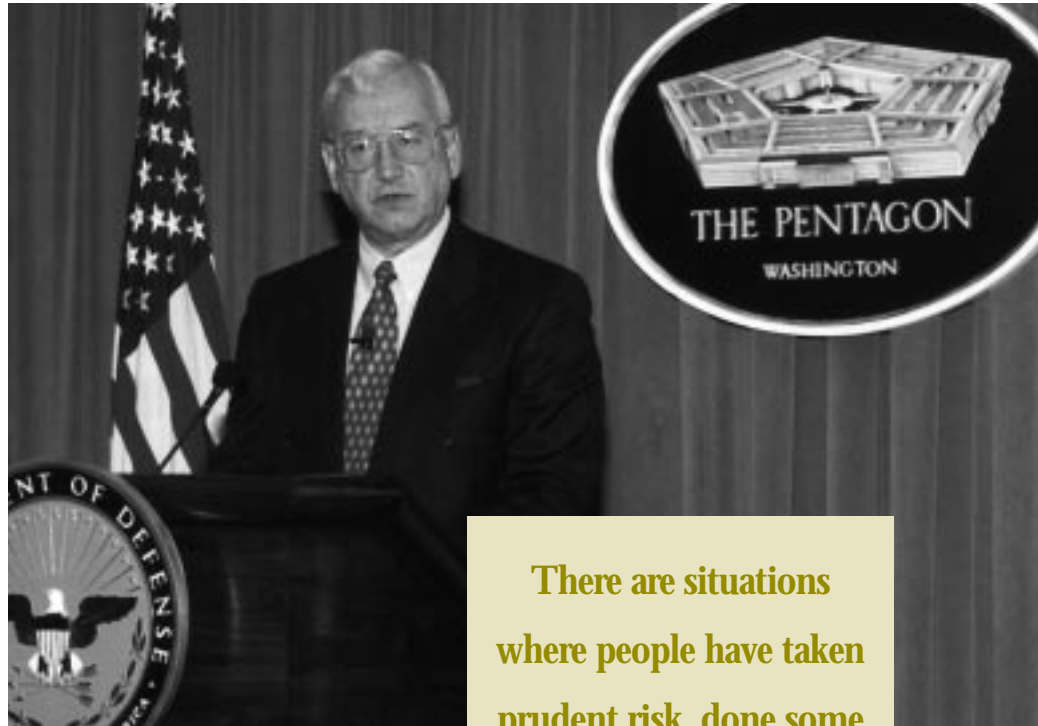
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Yes. We are doing some fundamental things to look at that. Probably among the most fundamental things is moving to open systems kinds of environments where commercial elements can plug and play into our designs.

As we're looking at new systems, I couldn't think of a better way to do that than what we're doing with our Joint Strike Fighter—basically building what is a modular aircraft, three completely different aircraft built on the same manufacturing line, with something between 80- and 90-percent cost commonality of the major components. So [we're looking at] the ability to produce those components at a rate of 3,000, even though some of the designs are only being produced in a few hundreds.

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You mentioned the example of the smart ship—that they can reduce manning of the ship by 20 percent. There are other



initiatives—I'm thinking of privatization—that would replace the number of soldiers needed to do a given task, and certainly maybe changes in tactics as well, that reduce the number of troops needed.

Let me ask you, these acquisition reform initiatives or your infrastructure reform initiatives, will any of these be able to contribute to reducing the end strength of the armed forces as the Quadrennial Defense Review (QDR) looks at that?

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Yes, I believe so. And I think you have to allow for the fact that force structure and end strength are not the same thing. A large piece of our end strength is associated, in a tail sense, with supporting our active forces. Those are some of the things we're trying to attack as well.

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Can you give us a sense of how far reforms can get you in that arena?

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I think they can be very substantial. I gave you this example of the prospect of 20 percent or perhaps more on this large ship. Those are not unreasonable numbers.

Q A question on the workforce. In 1993, Les Aspin fired a number of C-17 officials for bad performance on the program. That cast a pall over the entire acquisition community. I've followed the program. To what extent were you burdened by that action, in terms of a lot of your acquisition bureaucrats not wanting to be too creative for fear of penalties?

A Yes. I think there's an important element here of not just talking the talk, but walking the walk. That is, having our behavior be what it needs to be here. There are situations where people have taken prudent risk, done some good things in acquisition, and it hasn't worked out for one reason or another. That's a category of people I've been looking for. Some of those people need to be rewarded. Circumstances turned badly, it was something out of their control. They thought "out of the box" and were trying to do the right things. So we do need to encourage and reward that kind of behavior.

The reason we got into the kind of conservative behavior that we have gotten into in the past is that there wasn't much benefit for thinking out of the box and doing really creative things. Not much recognition. But there were huge penalties if you did it and it didn't work out.

So if you think about those rewards and penalties, it drives people to very conservative behavior.

Q What are some of the rewards then?

A You've seen some of the recognition programs. These are going on at many different levels. Actually, one of the biggest elements of recognition for our people is to be able to tell their story to their peers.

Q You talk a lot about cutting down the cycle time, getting systems out to the field. You talk a lot about this teaming

arrangement, how that's been a big part of that. How large of a role has just the mere fact that the Pentagon is looking more at off-the-shelf systems cut down on cycle times? I would think that that plays a role as well, not just the new sort of restructured organizations.

A It plays a role, but I actually see it maybe being a driver more than a contributing element. What I mean by that is just being able to buy a commercial subsystem, for example, doesn't help very much if your underlying cycle time is 12 years. The problem you run into is by the time you field the commercial system, especially if it's computer-based or rich in information technology, by the time you field it 12 years later, you're three generations out of date. So that fact creates what I was describing as the driving force to go back and change our cycle times.

What you want to be able to do is pick that off the shelf and integrate it into a system in which the overall cycle time in fielding and training and preparing for now is a few years, not 12 years.

Q My second question was, there are some who claim that some of the acquisition reforms have led to more contract award protests in the past. Is that true, in your view? And also, are there steps that may be taken to try and minimize those? Obviously, that screws up the system as well.

A I don't think that our reforms have led to an increase in protest. Actually, if there's something that would lead to an increased tendency to protest, it has been some of the market forces that have caused our industry to reduce size. That is, some of the awards may [have been perceived] as "you're-going-out-of-business-if-you-don't-win-the-award," so companies want to understand very carefully—why did they lose? Were they fundamentally non-competitive?

One of the things we've done to address that is to try to provide a

much more thorough debriefing so the companies can get the answer to that question in the debriefing; they [then] don't have to protest to be able to get sufficient information to get that answer. I think actually, our protest history is improving as a result.

Q A question on Theater High-Altitude Air Defense (THAAD). You're talking a lot about reducing cycle time and acquisition reforms. And certainly THAAD is a program in which you and the Army and Ballistic Missile Defense Office are trying to speed up the process here. But it seems to me that given its testing record so far, perhaps THAAD might be a candidate for lengthening the acquisition process, not shortening it. What are your thoughts on that?

A Yes. I think I have been on record pretty clearly about being concerned in some areas of trying to go too fast on some elements of ballistic missile defense. We have been leaning forward to proceed as rapidly as we could. In some cases, we may be going too rapidly. We are on the edge of how far I could be comfortable, how fast we could be comfortable going in a few of our programs. I think we really need a serious look at THAAD—where we are in the design. I've chartered a team to go do that in a period of about six or seven weeks: to look at the design, the margins in the design, as well as the failures.

Q Emmett Paige this week signed off on the information technology (IT) management strategic plan. What's your impression of what role this plan might play in this whole environment?

A This plan, I think, has a key role to play here. Many of our systems are becoming more and more information-based and information-dependent. Sorting out architectures in which various components will plug and play together is very critical to get leverage from that base. Establishing

standards, moving to open system standards, in particular, to allow for successive upgrades without huge costs are very important to us.

Q When you started this effort there was, especially on the MilSpec side, some concern from the international side that if you team with a U.S. program where all these MilSpecs are gone, some of the confidence might be eroded. How has that played out over the last year?

A I think it's still an issue, but I noticed a great interest among my counterparts both in Europe and in Japan in our acquisition reform initiatives—our initiatives to move away from MilSpec. There's great interest. We've had a couple of conferences. Almost every visit that I have from a counterpart acquisition executive will inevitably end up in a discussion—wanting to know more about our acquisition reform initiatives and how to stay on top of them.

Q In regard to your chart on acquisition and program stability, this looks a lot like some of the findings that Program Analysis and Evaluation (PA&E) has come up with over the years, several years ago...in terms of mismatches between plans and the budgets we have to carry them out. I'm wondering if that was a recognition that DoD has had for several years? What have been the obstacles and challenges in getting that more in hand so you aren't wasting [resources]?

A This building [Pentagon] and our processes are really very averse to creating any reserves. Also, until we bring ourselves to the point of doing that, we will continue to have these kinds of problems. If you go examine the 777 program at Boeing, they had a reserve for the program. Reserve is very critical to meet the milestones and the performance. You can adjust the reserve as you go.

We, too, have had a reserve for our program. The only problem with it has

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been the sign is negative. It's not been a positive reserve, it's been a negative reserve. You can imagine that creates some real management challenges in terms of trying to execute a stable, investment-oriented program.

Q How would you propose to deal with it?

A We will need to do some work to establish some reserves in our planning in the out-years. We will have to do some work to gain better estimates in advance on our operations and maintenance (O&M) requirements because we have been paying last-minute bills there that weren't planned for. We need better estimates of our O&M costs. And I think we need a more fundamental tack with EM, with the costs associated with those systems in the inventory.

Q In reference to the O&M costs. I know in the past the Pentagon has tried to propose to Congress certain ways to either have a separate fund that could pay for

those things so you wouldn't have to raid other accounts. In the past, Congress hasn't seemed to be too happy about that idea. Is there anything that can be done to better convince Congress that this really is a problem and it's affecting us not just year by year, but out to the future in working some kind of deal where there could be a reserve that could be used to pay some of these last-minute bills?

A There are two elements of a reserve. One is taking a reserve forward and presenting it to the Congress. I think that's going to be a hard sell. The proposals we're looking at don't include that kind of a reserve.

I think the way we're looking to address this problem, first off, is to budget for known contingencies, either through supplementals or budgeting in advance. Secondly, in the out-years in our planning, trying to put some reasonable contingency reserves in our own plans. We don't have to take those to the Congress; they're in our own Future Years Defense Program (FYDP). The issue is having the discipline to do that. Also, perhaps, the consideration of putting some reserves in the programs themselves.

Q What do you do about congressional additions? That doesn't help the process, does it—putting in money for things you haven't asked for?

A Either adding money in ways that haven't been planned or taking money away certainly is disruptive to a long-term program.

There have been suggestions by some people of actually modifying the budget process—going to two budgets. A capital budget with stability for a capital budget program, and an operating budget. Many companies operate that way. It's something we probably need to think about a little bit.

Thank you all very much.